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UNITED STATES PATENT AND TRADEMARK OFFICE

Trademark Trial and Appeal Board

Hart Info LLC
v.
Innovative Measurement Solutions, Inc.

Opposition No. 91123830
to Application Serial No. 75732660

Nicole D. Vickroy and William E. Gallagher of Frost Brown
Todd LLC for Hart Info LLC.

Patricia L. Roer of Wiggins & Dana LLP for Innovative
Measurement Solutions, Inc.

Before Seherman, Hairston and Bucher, Administrative
Trademark Judges.

Opinion by Bucher, Administrative Trademark Judge:

Innovative Measurement Solutions, Inc. seeks to
register on the Principal Register the mark shown below:



for goods identified as "computer software for formula
development, formula management, and computer software for
product development and process manufacturing applications,

all for use in the process manufacturing industries," in International Class 9.¹

Registration has been opposed by Hart Info LLC on the ground that it, and not applicant, is the rightful owner of this mark as applied to computer software, and hence, that Innovative Measurement Solutions, Inc. is not entitled to registration of this applied-for mark.

Applicant, in its answer, denied the salient allegations of the notice of opposition.

A trial was conducted in accordance with the Trademark Rules of Practice. The record consists of the pleadings; the file of the opposed application; opposer's notice of reliance on portions of the discovery deposition of John Sottery, with exhibits; applicant's notice of reliance on portions of the discovery deposition of John Melanson, with exhibits, opposer's responses to applicant's first set of interrogatories, and pages from printed publications;² and applicant's trial depositions of John Sottery, Bob Slotkin,

¹ Application Serial No. 75732660 was filed on June 17, 1999 based upon applicant's claim of first use in commerce at least as early as April 2, 1995. Applicant has disclaimed all the wording in the mark apart from the mark as shown.

² We have not considered the screen prints taken from applicant's Internet website (www.ims-usa.com) under applicant's notice of reliance as the contents of a website cannot qualify for admission into evidence in an opposition proceeding under 37 CFR §2.122(e). *Raccioppi v. Apogee Inc.*, 47 USPQ2d 1368 (TTAB 1998). See generally TBMP §704.08.

Barry Bearg, Susan Murray and John Melanson, each with the exhibits attached thereto. Portions of the record (testimony and exhibits) submitted by both parties have been marked and treated as "confidential" and/or "attorneys' eyes only." Both parties have fully briefed the case, but only applicant was represented at an oral hearing scheduled before the board.

It is important to note that these parties are not strangers to each other. Quite the contrary, they worked together for years. As noted by opposer:

This case does not present the issues typically encountered in an opposition proceeding ... The parties in this dispute are former parties to a joint venture relationship in which together they marketed a computer software product In this case, the Board is called upon to determine the parties' contractual understanding concerning ownership of the disputed mark and whether the Applicant is entitled to register the mark.

(Opposer's brief, pp. 1 - 2) Accordingly, we are not concerned herein with the issues of priority or likelihood of confusion. Rather, the large record in this case is all about the nuances of a business relationship where each participant brought critical but very different contributions to the enterprise. In the absence of legal documents laying out their respective interests, a fairly

detailed chronology of this relationship is critical to understanding the dispute.

The Parties:

In order to set the stage, we begin by providing brief backgrounds on the key players in this drama: John Melanson and John Sottery.

John David Melanson, Jr. (hereinafter "Melanson"), now opposer's Vice President of Operations, graduated in 1983 from the University of Massachusetts with a degree in chemical engineering. (Melanson Trial Deposition at 7) Melanson was then hired by Procter & Gamble (P&G), where he worked as a product formulator for, *inter alia*, hair care and deodorant products. (Melanson Trial Deposition at 6, 9 & 12) During his years with P&G, he developed a software program to help P&G formulators keep track of formulas and organize formula information in a readily accessible manner. (Melanson Trial Deposition at 6 - 11) Before his departure from P&G in 1991 to start his own company, he received assurances from the legal department of P&G that he was free to take this program and develop it further. (Melanson Trial Deposition at 13 - 14) Melanson's new enterprise was known initially as Hart Information Systems, but was later reorganized as Hart Info. LLC, the current opposer.

John Phelps Sottery (hereinafter "Sottery"), applicant's president, earned his chemistry degrees at Duke University - being awarded his baccalaureate degree in 1981 and his Ph.D. in 1985. (Sottery Trial Deposition at 5) In 1985, Sottery, too, was hired by P&G, where he worked until August 1992, progressing through several roles of increasing responsibility with P&G's exploratory formulation group. (Sottery Trial Deposition at 6 - 10) In 1992, he left his employment at P&G, also to start his own company (Sottery Trial Deposition at 10), known as Innovation Measurement Solutions, Inc. (sometimes referred to in this record as "IMS"), the applicant herein.

Melanson and Sottery first began to know each other in 1985 at the time Sottery was hired by P&G. (Sottery Trial Deposition at 10) They played ball together on P&G's softball team and worked together on at least one project team at P&G. (Melanson Trial Deposition at 18; Sottery Trial Deposition at 10; Sottery Discovery Deposition at 33) Sottery was an active participant in Melanson's wedding and reception in 1991. (Melanson Trial Deposition at 18 - 19; Sottery Discovery Deposition at 35) They stayed in touch with each other after leaving their respective positions with P&G. (Melanson Trial Deposition at 19 - 20; Sottery Trial Deposition at 10 - 11; Sottery Discovery Deposition

at 34 - 35) Melanson recalled that Sottery was interested in his advice upon setting up his business in 1992.

(Melanson Trial Deposition at 19) In 1993, in their first collaboration away from P&G, Sottery contracted with Melanson for his assistance as a software programmer on an advanced imaging project that Sottery and his company, Innovation Measurement Solutions, Inc., were designing for the Elizabeth Arden Company. (Sottery Trial Deposition at 11 - 13; Melanson Trial Deposition at 19 - 20)

Hence, in 1994, Melanson and Sottery were friends, former P&G colleagues, and principals in their respective companies who had recently been collaborating professionally.

The Formulation Software Product:

Upon leaving P&G in 1991, Melanson was free to take with him the DOS-based formulation software he had designed while working at P&G. In 1994, he ported over this DOS-based formulation software to a Windows-based application. (Melanson Trial Deposition at 6, 9, 16 - 17) During the years of his collaboration with Sottery, the specific features included in the software changed in accordance with the needs of their prospective clients.

The formulation software was also bundled with Sottery's electronic catalog of raw materials suppliers.³ The first shrink-wrap version of bundled software to come from this enterprise was available in May / June 1995. Within the first year, Melanson and Sottery discovered that at close to a thousand dollars a copy,⁴ this was not a successful business model. Hence, in 1996, they switched over to a plan of selling enterprise licenses of customized versions of the product for big companies having a large group of formulators. (Melanson Trial Deposition at 91 - 96) This model continued for the balance of the time Melanson and Sottery worked together, i.e., until late-1999.

After Melanson and Sottery stopped working together, Sottery and his IMS software development team designed an entirely new software product, known as "Formulation

³ While Supplier CD was Sottery's product, Melanson was involved in creating the software "front-end" that permitted the user to search this collection of raw materials. Melanson also digitized a large quantity of information from the raw materials suppliers, creating an electronic version of the "Yellow Pages for raw materials." (Sottery Trial Deposition at 47 - 48) Given that Supplier CD and the formulation software clearly offered a "symbiotic relationship," Melanson made it so that Supplier CD worked seamlessly with the formulation software. (Sottery Trial Deposition at 48; Melanson Trial Deposition at 36)

⁴ The Professional edition of Formulation WorkStation was sold in 1995 for \$985. This packet contained a full version of Formulation WorkStation, a four-disk subscription to Supplier CD, and Seagate's report creation and integration software, the Crystal Report® software. (Melanson at 73 - 74)

WorkStation 6i," described as an "advanced, Java-based, platform-neutral formulation solution," which it continues to sell to leading clients in the cosmetics and pharmaceutical industries.

By contrast, while Melanson also continues to offer software under the "Formulation WorkStation" mark through Hart Info LLC, it is clear that this application has not continued to provide robust business for Melanson.

The Business Enterprise:

By the spring of 1994, the formulation software project was just one of several projects on which Sottery and Melanson were then collaborating. These other projects - separate from the enterprise involving the applied-for mark - included an Elizabeth Arden project variously referred to in this record as "custom foundations," "shade ID," and/or "color probe" projects (Sottery Trial Deposition at 39; Melanson Discovery Deposition at 27 - 32); imaging work for Chesebrough-Ponds; Unilever's Counter 2000 (also an Elizabeth Arden Company); work on Sottery's Supplier CD program (Melanson Discovery Deposition at 33; Sottery Trial Deposition at 48), etc. In each of these other IMS projects, it was Sottery's practice from the

outset to pay Melanson an hourly fee as a contract software developer.⁵

Nonetheless, the majority of the evidence in this case pertains to the formulation software sold under the mark that is at issue in this case, and naturally, that is our focus as well.

By the time Melanson and Sottery began their collaborations in 1994, Melanson had demonstrated his expertise in writing software and possessed a promising software product. On the other hand, Sottery had better contacts in the target industries - having appeared regularly at seminars and trade shows around the world. By all indications, IMS, the business Sottery founded in 1992, had succeeded to the point that he had substantially more resources at his disposal. Because Melanson was aware that Sottery did a variety of presentations at professional seminars and was well known within the product raw materials and cosmetic industries, he reasoned that Sottery could provide marketing support needed to bring his evolving software product to market. (Melanson Trial Deposition at 20 - 21)

⁵ Payment from IMS to Melanson for this work is included in annual payment figures discussed *infra* (at p. 20, footnote 12).

Melanson testified that in his earliest discussions with Sottery about his formulation software, they agreed that bundling their respective products to meet key needs in the personal care products industry was the best way for two small companies to improve the profitability of each. (Melanson at 65, 68) Sottery agreed with Melanson that it would be advantageous for the two of them to pool their resources, arguing that the only way to gain customers from among international firms like Unilever, P&G, Clairol, Revlon, *et al.*, was to appear as large as possible - having "more legs under the table." (Sottery Discovery Deposition at 135) As the record shows, however, this general agreement of cooperation never led to conversations where the parties discussed or contemplated the legal implications of their evolving enterprise. (Sottery Discovery Deposition at 180 - 181)

Absent any working version of the software, Sottery discussed with Melanson in a January 1994 telephone conversation his suggestion of preparing a presentation for the next Suppliers Day trade show of The Society of Cosmetic Chemists (SCC). (Applicant's Trial Exhibit #31) This was an event at which Sottery had appeared in previous years. Accordingly, between January and May of 1994, Melanson and Sottery worked together to prepare a

multimedia demonstration about the overall functionalities to be incorporated into the software. For example, Sottery and IMS employees collected some electronic images and shipped them to Melanson. Melanson designed mockups of the future screens typical in a Windows environment. (Melanson Trial Deposition at 22 - 25; Opposer's Trial Exhibit #2; Sottery Trial Deposition at 28 - 33)

Sottery had been appearing at trade shows for years, and it seems clear that IMS paid for all the costs associated with having this SCC Suppliers Day booth in May 1994, where the formulation software product was prominent among the products and services Sottery was promoting. (Sottery Trial Deposition at 33 - 35)

Based upon positive feedback at the SCC Suppliers Day booth, Sottery continued to promote this evolving, developing project to key clients in the international cosmetics industry through World Formulation Courses he conducted in June 1994 with Gerhard Dahms in the United States, Sydney, Australia and in London, England. (Sottery Trial Deposition at 38 - 40; Opposer's Trial Exhibit #34) Sottery determined at this stage that he was willing to put IMS resources behind the product to make it successful.

Clearly, when Sottery returned from his international tour at the end of June 1994, no marketable software

program existed. Melanson was responsible for porting over all the features from the old "Process Helper" software into a Windows environment, and for designing the raw materials database so that it could be accessed from the formulation software. Then Sottery and his colleagues at IMS played a key role in identifying the additional features and capabilities that would have to be incorporated into the new software - ideas that they had gleaned from their network of formulation experts from around the world. After Melanson did this additional programming, including the coding of the features Sottery had identified as the "hot buttons" necessary to make the program marketable, the functional but rough program was alpha tested by IMS personnel, including Sottery, as well as by Melanson. Melanson then remedied the problems that members of this group had identified. Sottery and IMS continued to have sessions with leading companies in the personal care industry and with raw materials companies from around the world to identify further requirements from these prospective users. Melanson was responsible for putting together a users' manual. Then Sottery recruited formulation experts from among the target user audience to serve as beta testers for the evolving software in early

1995.⁶ Sottery's group was then involved in going onsite to these various companies to install the software on their computers and to provide training for the users. Although orders for these first software packets were taken in December 1994 and then invoiced in January 1995, none was shipped until May or June of 1995, as this is when all the problems discovered in testing were finally resolved.

(Sottery Trial Deposition at 78 -79)

While Melanson and Sottery had ongoing discussions during 1994 about the role each of them would play in bringing this product to market and how Sottery would be compensated for his contributions to the project, the exact terms of the relationship had clearly not been agreed upon or formalized in May of 1994. (Sottery Trial Deposition at 41; Melanson Trial Deposition at 30, 31 & 35)

Consistent with this lack of definition or agreement on the nature of the relationship in 1994, Melanson's fax to Sottery of November 3, 1994 shows a terse brainstorming

⁶ Based upon Sottery's contacts at the December 1994 SCC Annual meeting in New York City, the first sales were made to Presperse, Inc. - a supplier of raw materials to the personal care industry. (Sottery Trial Deposition at 70 -72; Applicant's Trial Exhibit #44), and to Stepan (Sottery Trial Deposition at 74 - 75; Applicant's Trial Exhibits ##45 & 46). See also Melanson letter to Blaine Byers of Stepan Company dated January 20, 1995 (Melanson Trial Deposition at 76; Opposer's Trial Exhibit #18), and Melanson letter to Phil Thomas of Presperse Inc. dated February 28, 1995 (Melanson Trial Deposition at 77; Opposer's Trial Exhibit #19).

list of "key activities" that Melanson suggested would be necessary to bring this product to market (Melanson Trial Deposition at 32 - 33; Opposer's Trial Exhibit #8),⁷ questioning which ones Sottery felt IMS would be responsible for and what his "terms are for compensation." (Opposer's Trial Exhibit #7) It is not clear from the record which, if any, of Melanson's listed activities Sottery accepted for himself, but as to compensation for these shrink-wrap versions of the formulation software, Melanson and Sottery were "talking about splitting the expenses and then splitting the revenues 50:50." (Sottery Trial Deposition at 41)⁸

Very early in this evolving relationship, it is clear that Melanson and Sottery had different ideas about the nature of this conjoint endeavor. In November 1994, Melanson envisioned collaboration where each party would retain a separate identity while Sottery envisioned a more complete melding of identities for purposes of marketing this formulation software. Sottery reasoned that it was "foolishness" for Melanson's enterprise, Hart Information

⁷ We note that this "Key Activities" listing used "Formulator Pro" as the working mark for this product.

⁸ Similarly, inasmuch as Melanson was to provide technical support for Suppliers CD and receive 50% of the revenue, Sottery would provide sales and marketing support and receive 50% of the revenue (Melanson at 34)

Systems, to try to sell software in the personal care industry where no one knew anything about Melanson or Hart. (Sottery Trial Deposition at 90) In fact, it was in this context that Sottery discussed the creation of a third company, "Inno-Vision," to be owned jointly by Sottery and Melanson. This company would focus on the formulation software and various imaging projects. (Sottery Trial Deposition at 39; Sottery Discovery Deposition at 63)

By early 1995, Sottery and Melanson had created business cards, envelopes and folders for their joint use in promoting Formulation WorkStation⁹ and Supplier CD. (Opposer's Trial Exhibits ##11a, 11b & 11c) Similarly, letterhead used on a letter of June 7, 1996 from IMS employee Liam Murray reflected that this enterprise was being touted as "*An IMS Inc./Hart Info System Joint Venture.*" (Opposer's Trial Exhibits #12) This particular language was chosen by Sottery, shortened from "A Joint Venture with Innovative Measurement Solutions, Inc. & Hart Info Systems." (Sottery Trial Deposition at 64 - 65; Applicant's Trial Exhibit #40)

⁹ The details about the adoption and use of this trademark by the enterprise will be discussed more fully in the following section (Intellectual Property - the Trademark).

Sottery continued during 1995 to demonstrate Formulation WorkStation at a number of trade shows directed to personal care and pharmaceutical organizations: In-Cosmetics Europe (April), SCC Suppliers Day (May), HBA Global Expo (June) and the SCC Annual Meeting (December), as well as to biennial sessions of the International Federated Society of Cosmetic Chemists (IFSCC) and the SCC Sunscreen Symposium. (Sottery Trial Deposition at 81 -83)

In fact, over the period of their collaboration, Sottery testified that IMS paid the costs for demonstration booths at thirty-two different trade shows promoting Formulation workStation. At each, the IMS corporate logo was displayed prominently on these booths while Hart's company logo was never placed on any of the booths. (Sottery Trial Deposition at 84 - 86)

The record contains one near-contemporaneous statement in a published article referring to the creation of this "joint venture." An article Sottery and Melanson co-authored¹⁰ (entitled "New Software and CD-ROM Based Technology Tools for Today's Formulator") that appeared in

¹⁰ Other co-authors of this article included Liam A. Murray and Jorge H. Jaramillo - both then employees of IMS. From the contents of the submitted manuscript, this article evidently appeared in Cosmetic and Toiletries Manufacture Worldwide in late-1995 or early-1996.

the Cosmetic and Toiletries Manufacture Worldwide magazine, contained the following sentence:

In 1994, IMS Inc. (Milford, CT USA) and Hart Info Systems (Alexandria, KY USA) entered into a joint venture to create infrastructure for the personal care industry..

(Melanson Trial Deposition at 66 - 68; Opposer's Trial Exhibit #13)

Consistent with the agreed-upon 50:50 split of proceeds, records from Melanson for the periods of June 1995 through May 1996 and for January and February 1997 reflect an accounting of Hart's production, shipment and sale of these products along with the amounts remitted to IMS. (Melanson Trial Deposition at 78 - 84; Opposer's Trial Exhibits ##16 & 21)

However, given the effort involved in producing, selling, and fulfilling orders for the shrink-wrap packages, Melanson and Sottery agreed this approach was not working and could not meet revenues as anticipated.

(Sottery Trial Deposition at 104 - 105) Subsequent discussions between Melanson and Sottery led to the conclusion that a better business model was to focus on customizing the product for big companies having a large group of formulators. (Melanson Trial Deposition at 91 - 95) For the early shrink-wrap versions of the software,

both Hart and IMS collected money from the clients. With these later versions (beginning in 1996), where the emphasis was on selling enterprise licenses, IMS would bill the customers for the cost of the contracted work, would collect all the fees associated with licensing this software (Sottery Trial Deposition at 103), and then Melanson would invoice IMS for his efforts. (Melanson Trial Deposition at 95 - 96)

It was at this point that Sottery recalls a change in the nature of the relationship. Sottery testified that in this 1995 to 1996 time frame, Melanson was so dissatisfied with the revenues from Formulation WorkStation that he was no longer willing to contribute toward any promotional activities or other expenditures required to build the brand. According to Sottery, Melanson wanted to approach this project as they did other IMS projects, earning \$100 per hour as a contract programmer as well as getting full reimbursement for any of his travel expenses. (Sottery Trial Deposition at 105 - 106) However, this seemingly critical change in their relationship was never memorialized; moreover, Melanson's version of events as presented at trial disputes any such change at this juncture in the nature of their relationship.

During the period of 1996 to 1998, Sottery and Melanson continued to hold themselves out to potential clients as a single enterprise made up of two companies.¹¹ Furthermore, the record does not reflect any open discord between Melanson and Sottery during this period. However, it is clear in retrospect that Sottery had serious misgivings about whether this was still a 50:50 proposition. Sottery increasingly viewed Melanson as a subordinate, not as an equal. Sottery viewed himself as the "team leader" because "I was responsible for basically generating the funding for everything that happened." (Sottery Discovery Deposition at 135). In fact, Sottery testified that IMS put almost a million dollars into the development and marketing of Formulation WorkStation over the years: Melanson programming (\$300,000); quality assurance testing (\$150,000); trade shows and other

¹¹ Bob Slotkin, a technology information scientist for Clairol was part of a team that chose Formulation WorkStation as the formulation tool for Clairol in 1998, and then served as project manager on behalf of Clairol. (Slotkin Trial Deposition at 4, 6 - 8) When narrowing the field for possible vendors, Slotkin testified that in the final competition between the two finalists, Melanson and Sottery assured Clairol that despite the fact they were two companies, Clairol was to treat them as a single enterprise in delivering the formulation management software. (Slotkin Trial Deposition at 34) Because this initiative faced several critical internal reviews within Clairol, the statement of work changed several times during 1999. (Applicant' Trial Exhibit #72) Subsequently, IMS alone continued this relationship with Clairol, moving in fits and starts through 2001 toward a small pilot project at the time testimony closed in this case in October 2002. (Slotkin Trial Deposition at 23 - 24)

marketing activities (\$180,000); Sottery and IMS staff time (hundreds of thousands of dollars). (Sottery Trial Deposition at 102 - 103) And while it is clear that Melanson was generating other revenues for IMS, Sottery was indeed paying significant sums of money to Melanson as a contract employee, peaking in 1997:

Year	IMS payments to Melanson ¹²
1995	\$ 80,010
1996	\$ 129,531
1997	\$ 265,949
1998	\$ 193,189
1999	\$ 145,092
2000	\$ 84,480

IMS work with Revlon in 1999 on formulation management provides an example of the first signs of open discord. For example, Melanson raised concern about contract language in a contract between IMS and Revlon (January 1999) referring to Formulation WorkStation as "IMS Technology." Barry Baerg of Revlon testified that later in 1999, Melanson told Baerg that he [Melanson] would not work

¹² The data in this table is drawn from IRS Form 1099-Misc. for the listed years. (Applicant's Trial Exhibit 30)

on the Revlon project any further because he was not being paid by IMS.¹³

The record shows that Melanson did significant work for IMS on Elizabeth Arden, Warner-Lambert, and Revlon projects, submitting monthly invoices to IMS for the hours he had worked on these projects during any given month.

(Sottery Trial Deposition at 107 - 110) Yet, as the disagreements intensified over levels of effort on joint

¹³ Barry Baerg of Revlon met Sottery at SCC Suppliers Day in 1995 and learned of Formulation WorkStation software. (Baerg Trial Deposition at 6) Revlon selected IMS as the vendor for its formula management system in March 1998 with approval and kick-off in the fall of 1998. (Baerg Trial Deposition at 12 - 13)

The contract between IMS and Revlon (~ January 1999) contained the following language:

WHEREAS, REVLON desires to license from IMS, and IMS desires to license to REVLON, IMS' Formulation WorkStation and Supplier CD (the "IMS Technology") in accordance with the License Addendum attached hereto as **Addendum A** (the "License Addendum"); ...

(Applicant's Trial Exhibit #71) Melanson testified that this was inconsistent with language drafted for earlier client contracts, and questioned Sottery about this change. According to Melanson, Sottery told him this was merely to distinguish between the rights of Revlon and of IMS, not to distinguish between the ownership rights of IMS and Hart. (Melanson Rebuttal Trial Testimony at 9 - 11)

But later in 1999, the software installation at Revlon ran into quality control problems - perhaps due to the problems between two computer platforms - Oracle and Domino.com. At that juncture, Baerg became aware of the problems between Hart and IMS. According to Baerg, he had a telephone conversation with Melanson who said he could not work on the Revlon project any further because he was not being paid. (Baerg Trial Deposition at 18 - 19) In March 2000, Melanson agreed with Baerg that Hart would put the Formulation WorkStation source code into escrow (Applicant's Trial Exhibit #82), although it seems Revlon never accepted this release of the software. (Baerg Trial Deposition at 39) Baerg had no more working relationships with Melanson or Hart, and IMS implemented its Formulation WorkStation 6i between August 2000 and April 2001. (Baerg Trial Deposition at 20 - 21)

deliverables, over intellectual property rights, etc., Sottery testified that Melanson was refusing to provide bug fixes for software they had provided to these clients (Sottery Trial Deposition at 101), while Melanson testified that Sottery was withholding payment from Melanson.

The record shows that even their attempts to resolve disagreements over a relationship gone sour may well have added confusion to the parties' views of their respective intellectual property rights. For example, Sottery testified that Melanson was willing in 1999 to hang onto his rights in the source code while relinquishing any rights he had in the Formulation WorkStation trademark. (Sottery Trial Deposition at 100 - 101) In his testimony, Melanson disagreed, saying that in the context of trying to work out a settlement between them, he recalled that Sottery wanted to work out disposition of the brand name as well as the underlying product. Melanson felt he was "over a barrel," and in order to get payment for his past development services and to ensure that Sottery would not attack Hart's ownership of the underlying product, Melanson was willing to offer IMS the brand as part of that settlement. No such agreement was ever reached between the parties. (Melanson Rebuttal Trial Testimony at 10 - 13)

Then, according to the exchanges of May 1, 2000, Melanson agreed to provide the fixes needed by their clients and Sottery sent Melanson a check for the amounts that had been withheld - an amount that matches the total payment to Melanson from IMS for the year 2000. (Melanson Trial Deposition at 128 - 129; Opposer's Trial Exhibit # 27 - underlining for emphasis in original)

From: Dr. John P. Sottery
To: John Melanson
Sent: Monday, May 01, 2000 4:45 PM
Subject: FedEx Tracking Number for the Check

JD,

As you and I discussed, it is critical to the good reputation that both IMS and Hart have worked so hard to establish in this industry, that we continue to support key clients (Arden, Warner-Lambert, Revlon, etc.), while we simultaneously work to reach agreement on how our two companies will collaborate in the future.

I was encouraged by our conversation today and have sent a check for \$84,480 via FedEx (... set for delivery on Tuesday) in reliance on our mutual understanding that we will proceed in good faith to accomplish the Warner-Lambert, Revlon and Arden items below:

...

As you said in our discussion, the past is over, it's the future that really matters. In regard to how we work together in the future, we are committed to remaining flexible and finding a win-win approach for collaborations between IMS and Hart...

Take care,

Sot

The Intellectual Property - Source Codes:

Melanson testified that Sottery requested on at least three different occasions that IMS have access to the source code for the formulation software. On each occasion, Melanson said he adamantly refused to provide IMS

or Sottery with his source codes. (Melanson Trial Deposition at 70 - 72) As noted above, when the relationship ended, in trying to reach a settlement agreement, one of Melanson's primary concerns was his right to total and exclusive ownership of the underlying product, including his source codes. It appears that IMS never got these codes, and IMS instead created a next-generation formulation management software product without resort to any of Melanson's underlying codes.

The Intellectual Property - The Trademark

The DOS-based formulation software that Melanson designed while working at P&G was known as "Process Helper." (Melanson Trial Deposition at 6, 9 & 17) Upon leaving P&G, he ported over this DOS-based formulation software to a Windows-based application, and his earliest marketing pieces in the record show that he was using the name "Formulator Pro" and "Formulator Pro for Windows." (Melanson Trial Deposition at 16- 17; Opposer's Exhibit #1; Sottery Trial Deposition at 19 - 20)

Mockups of the future screens from the multimedia presentation (i.e., the slides demonstrating the projected functionalities of the software in May 1994) contained the designation "Hart Information Systems Formulation Station"

in the headers. Some places in the script for the computer demonstration (Opposer's Exhibit 3) and in Melanson's follow-up letters to interested viewers (Opposer's Exhibit #5), show the term "Formulation Station" in initial upper-case letters in the form of a trademark. On the other hand, in other places in the script for the computer demonstration, it is also used repeatedly in lower-case letters ("formulation station") in a seemingly generic fashion. (Opposer's Exhibit 3)

Sottery testified that early in their discussions about Melanson's formulation software, he found both of Melanson's proposed marks to be unsatisfactory - "Formulator Pro" was "not memorable" and "Formulation Station" was "weak." (Sottery Trial Deposition at 21, 23) He claims that he coined the term "Formulation WorkStation" in May of 1994 and then over the course of months of persuasion, even "extensive lobbying" (Sottery Discovery Deposition at 124), finally convinced Melanson to adopt this trademark. (Sottery Trial Deposition at 21 - 24)¹⁴ By contrast, Melanson testified that Sottery may well have

¹⁴ Note Sottery's hand-written notation in April or May of 1994 in his personal organizer where he refers to "Formulation WorkStation" as one of a list of "Hart/IMS projects." (Sottery Discovery Deposition at 52; Applicant's Discovery Exhibit #1; Sottery Trial Deposition at 37 - 39; Applicant's Trial Exhibit #34)

reacted to Melanson's on-going suggestions for product names but did not coin the name Formulation WorkStation. (Melanson Trial Deposition at 25 - 26) Melanson claims that he personally conceived of the name Formulation WorkStation "some time prior to October of 1994" and that Sottery is "mistaken" in his claims to have coined the name. (Opposer's responses to Applicant's first set of interrogatories, Interrogatory #3; Melanson Trial Deposition at 39, 49; Melanson Discovery Deposition at 188 - 189) He testified that he chose this name because he "liked the way it sounded" and that the FWS initialism "made for a file name extension [.fws] that was readily associated with the product." (Melanson Trial Deposition at 49) Melanson stated that his suggestion that his company ("Hart") remain the sole owner of the Formulation WorkStation trademark and that IMS remain as sole owner of the Suppliers CD trademark was never objected to by Sottery. (Melanson Trial Deposition at 40) Sottery, however, stated that he would never have agreed to such a division, especially in light of his strongly-held contention that he had coined the Formulation WorkStation mark. (Sottery Discovery Deposition at 125)

Irrespective of who coined "Formulation WorkStation" as the product's trademark, by November 1994 Melanson had

clearly adopted the "Formulation WorkStation" mark for his formulation software, and his proposed flyer expressly states that "Formulation WorkStation is a trademark of Hart Information Systems."¹⁵ This statement was repeated in late-December 1994 in a somewhat later rendition of the November promotional piece for Formulation WorkStation. (Melanson Trial Deposition at 46 - 48; Opposer's Trial Exhibit #9)

In his November 1994 fax cover letter to Sottery, Melanson envisioned a collaboration where Hart's "WorkStation" product and IMS's "Suppliers CD" would be bundled but each would retain their own separate identities. Melanson testified that he and Sottery discussed this concept as well, and that while Sottery envisioned a more complete melding of identities, Melanson never had any interest in a common entity or identity in the marketplace. (Melanson Trial Deposition at 35 - 37) Sottery responded to Melanson's emphasis on the Hart identity by testifying that he "thought it was foolishness, because no one in the personal care industry know who Hart was, and that if we tried to sell software under the Hart

¹⁵ This flyer was included with Melanson's November 1994 fax to Sottery. (Melanson Trial Deposition at 32 - 33; Opposer's Trial Exhibit #8)

name, that the software would be basically not successful because people didn't want to buy software from a company that they don't know anything about." (Sottery Trial Deposition at 90)

Later in November 1994, Melanson's wife, Judi Melanson, who was President of Hart, sent a letter to Sottery explicitly and unequivocally rejecting joint branding between Hart and IMS. (Melanson Trial Deposition at 41 - 43; Opposer's Trial Exhibit #15)

As noted earlier, Sottery even envisioned the creation of a jointly-owned company, "Inno-Vision," that would focus on various imaging projects (Sottery Trial Deposition at 39; Sottery Discovery Deposition at 63), although Melanson recalled that this name was proposed to be a trademark for their bundled software products (Formulation WorkStation and Supplier CD). (Melanson Trial Deposition at 37, 40, 41)

Melanson meticulously included trademark notices in everything he drafted. For example, the installation guides that accompanied all Formulation WorkStation and Supplier CD software packages contained notifications that Formulation WorkStation is a trademark of Hart Information Systems and that Supplier CD is a trademark of Innovative Measurement Systems, Inc. (Melanson Trial Deposition at 84

- 88; Opposer's Trial Exhibit #22) Melanson testified that Sottery never objected to this language. The Formulation WorkStation software (version 1.2, 1995) User's Guide continued the same prominent notation on the frontispiece page, namely, that "Formulation WorkStation is a trademark of Hart Info Systems." (Melanson Trial Deposition at 89 - 91; Opposer's Trial Exhibit #23)

As had been the case with the first four editions, the electronic contents of the 5th Edition of Supplier CD having Formulation WorkStation software (March 1997)¹⁶ contained Melanson's programmed notation that "Formulation WorkStation is a trademark of Hart Info Systems." However, when doing a demonstration, Sottery discovered this claim and felt that the mark was owned by IMS and Hart together, and hence instructed that the notice be changed in subsequent editions. (Sottery Trial Deposition at 98 - 100) Accordingly, the 6th Edition (April 1998), 7th Edition (August 1998) and 8th Edition (April 1999) contained the statement that "Formulation WorkStation is a trademark of Innovative Measurement Systems Inc., and Hart Info Systems." Finally, after the major disagreements (during the mid-to latter-part of 1999) over who owned what

portions of the intellectual property rights associated with this software (the source code, copyrights, trademarks, etc.), Sottery directed that the 9th Edition (March 2000) include Formulation WorkStation in the listing of trademarks owned exclusively by Innovative Measurement Systems Inc. (Sottery Trial Deposition at 99 - 101) Melanson testified that he was unaware of these changed notations (e.g., from April 1998 to March 2000) until the time of this litigation, and that neither Sottery nor anyone from IMS ever discussed these changed legal notices with him. (Melanson Trial Deposition at 118 - 123; Opposer's Trial Exhibits ##24a, 24d & 24f) In fact, Melanson testified that he did not realize there was an issue with the ownership of the Formulation WorkStation trademark until his / Hart's federal trademark application was rejected based upon IMS's earlier filed application.¹⁷

After Sottery and Melanson agreed in the fall of 1994 to adopt "Formulation WorkStation" as the trademark for the software product, Sottery pushed for the adoption of a

¹⁶ As to other intellectual property notifications, the Supplier CD, 5th Edition bears a copyright notice of 1997, listing "IMS, Inc./Hart Info Systems" as the copyright owners.

¹⁷ Hart's application serial no. 75740457 was filed on July 27, 1999 (six weeks after the involved application was filed by IMS) based upon Melanson's claim of use anywhere as of 1991 and use in commerce as of 1992. The Office action notifying him of IMS's earlier-filed application was mailed on October 20, 1999.

composite mark (also referred to by the parties throughout this record as the "logo"). Sottery testified that he designed the logo that is the subject of the instant trademark application. (Sottery Trial Deposition at 49) By contrast, Melanson testified that the design of the logo was a collaborative and iterative process, but that he had the final say in approving what would be adopted.

Sue Murray was the graphics designer Sottery hired to work on this project. She is the wife of Liam Murray, who was at that time one of IMS's principal employees. (Melanson Trial Deposition at 51 - 53) The record shows that in January 1995, Ms. Murray was faxing her work products to Sottery. (Applicant's Trial Exhibit #36) From his undated, personal organizer notes that purport to be a record of a telephone conversation with Ms. Murray, Sottery clearly directed her as to the look and feel of the logo, with attention to upper and lower case letters, font selection and relative size of lettering, the slogan "The Workflow Software for Formulators," changing the letter "u" into a beaker, and the placement of a representation of a disk drive in a "more solid looking" design. (Sottery Trial Deposition at 51 - 62; Applicant's Trial Exhibits ##36 - 39; Sue Murray's Trial Deposition at 9 - 10)

At the same time, Melanson sent his own input related to the logo design to Ms. Murray and selected his preferences from among her evolving work products in faxed communications with Sottery. (Melanson Trial Deposition at 53 - 57; Opposer's Trial Exhibits #10a and 10c) However, Sottery testified that Melanson was simply one among half-a-dozen team members whose opinion he sought in designing the logo. In fact, Sottery recalled that Melanson thought they were spending too much time and money on this process. (Sottery at 65 - 66) He dismissed the role Melanson played in this particular process, testifying that various graphic ideas generated by Melanson were never employed in the marketing and promotional materials that were eventually used. (Sottery Trial Deposition at 68; Applicant's Trial Exhibit #41 - also Opposer's Trial Exhibits #10a)

As an indication of the importance of his input in creating this logo, Melanson testified that he wanted to use the color blue for substantial portions of the Formulation WorkStation mark to match the blue in the Hart Info System mark, despite the fact that blue was clearly not Sottery's preference. Sottery described this blue as a strong color, but just as significantly, a practical choice minimizing the number of colors in order to keep down the costs of printing. (Sottery Trial Deposition at 62 - 64)

At the same time, Ms. Murray designed the Supplier CD logo and the IMS house mark, both incorporating the same shade of green. (Melanson Trial Deposition at 60 -63: Opposer's Trial Exhibits ##11a, 11b & 11c)

As to who paid for the costs associated with hiring a graphic designer, the invoice from Susan Murray Designs to John Sottery of January 30, 1995 (Sottery Trial Deposition at 69 - 70; Applicant's Trial Exhibit #42) was paid by IMS, but Melanson testified that he paid half of these charges, although two of the three logos were clearly identified with IMS. (Melanson Trial Deposition at 62)

Melanson testified that he consistently stated to Sottery that Formulation WorkStation was his/Hart's trademark, and that a statement to that effect was printed on all the early software versions of the product. However, Sottery testified that he never would have spent all the money and effort that he did to build this brand around the world if he had thought this was a property of Hart Information Systems. (Sottery Trial Deposition at 91)

Currently, both IMS (applicant) and Hart (opposer) are continuing separately to use the same composite mark. Appearing on printouts from Hart's homepage is the composite mark that is the focus of this action:



Similarly, IMS's homepage demonstrates that IMS has added its "6i" designation in a circle as a superscript over the letter "n" in the word Formulation:



Analysis:

Even though the business venture of Melanson and Sottery was never formally established by way of a written document, given the incidents of this common undertaking as detailed above, we find that the laws of Kentucky²⁰ and of Connecticut²¹ support the constructive creation of a joint venture.²² Melanson and Sottery combined their respective

¹⁸ Melanson Trial Deposition at 133; Opposer's Trial Exhibit # 28.

¹⁹ Melanson Trial Deposition at 134 - 135; Opposer's Trial Exhibit # 29. While this image was not proper subject matter for applicant's notice of reliance (see footnote 2, *supra*), it was correctly introduced into evidence as an exhibit introduced as part of Melanson's trial testimony.

²⁰ In 1994, Melanson's company, Hart Information Systems, was a Kentucky sole proprietorship. Hart Information Systems was later reorganized as Hart Info. LLC, a limited liability corporation organized under the laws of Kentucky.

²¹ IMS is a corporation of the State of Connecticut.

²² See Tencon Corporation v. Ralph E. Mills & Groman, Inc., 186 F.Supp 891 (E.D. Ky 1960) [need for a common undertaking in which there is a combination of money, efforts, skill or

efforts, skills and knowledge for a common undertaking, namely, developing and marketing a formulation software product. Melanson brought to the table an idea for a commercially-viable project and the programming ability to make this computer application function in ever-changing situations. Sottery provided the critical contacts to key players in the relevant industries as well as the marketing acumen and financial resources to make it happen. Their joint venture started in 1994.

By contrast, we cannot point to any clear lines of demarcation when this joint venture terminated. In his testimony, Sottery claims it was 1996. Specifically, Sottery testified that in 1996, Melanson became nothing more to this venture than a contract programmer. However, as noted earlier, there are clear indications that both parties continued to hold themselves out as joint venturers into 1999.

If not by the time of the filing of the instant application, then certainly by the time that this dispute was presented to the United States Patent and Trademark Office, the implied contractual relationship growing out of

knowledge, joint control and responsibility of the undertaking]; and Willow Funding Company, L.P. v. Grencom Associates et al., 2000 Conn. Super. Ct. LEXIS 194 (2000) [two parties combining their property, money, efforts, skill or knowledge in a common undertaking].

this former joint venture had terminated. After Melanson completed work on several outstanding projects and Sottery sent him payment for his services, the most vexing issues upon dissolution of the joint venture seem to have revolved around intellectual property rights. Both applicant and opposer have continued to press their respective and mutually-exclusive claims to the same trademark.

It is clear from the entire record of this proceeding that the parties to this joint venture never agreed upon the ownership of this important intangible asset.

Nonetheless, we find that at the time of its adoption and early use, the mark was owned by the joint venture. In spite of Melanson's claims of exclusive ownership of the mark by Hart in some of his early work products (which appear to have enjoyed a limited distribution), this trademark was not something he brought to the joint venture. The Formulation WorkStation trademark was not developed until Sottery and Melanson's common undertaking was in force.

The overall record is convincing that Sottery coined the trademark and played a leading role in designing the composite mark involved herein. From his testimony, the detailed sequence of logical steps that led him to the selection of this trademark were much more convincing than

those offered by Melanson. Furthermore, contemporaneous records support Sottery's having initiated most of the ideas around all the components of the composite mark (the "logo" design) involved herein. In addition to his being the public face of this product and the risk-taking entrepreneur without whose efforts this enterprise would likely never have happened, his significant initiatives in developing the mark added to Sottery's understandable sense of at least partial ownership of the growing goodwill associated with this mark. However, we also find that it was never Sottery's trademark alone, because between 1994 and 1999, Melanson and Sottery created and maintained a joint venture that we have determined owned this ever-more-valuable source identifier, and this mark was an asset of the joint venture.

Opposer cites to the case of Durango Herald, Inc. v. Hugh A. Riddle and Riddle Directories, Inc., 719 F.Supp. 941, 11 USPQ2d 1052, 1988 (D. CO. 1988), emphasizing that in the absence of contractual resolution, the tribunal should focus on the "history of the parties relations" Opposer points to the fact that Melanson brought the very idea for the software to the joint venture, and that for years Sottery allegedly did not object to Melanson's repeated claims of trademark ownership.

We agree with opposer that we should focus on the transactions herein in a contractual context.²³ Under principles of contract law, opposer would have us focus on the question of whether Sottery knew, or had reason to know, of Melanson's understanding that the trademark belonged exclusively to Melanson.²⁴ The overall record shows that: at various times, Sottery simply disregarded some of the input offered by his co-venturer and friend (to each other, they were "Sot" and "J.D."); he came to view himself as the "head of the team" because he was assuming the risk of the venture and supplying all the financing; he was totally committed to the idea of Hart and IMS completely melding their respective identities on this venture; and was much too busy to notice his friend's insertion of small, textual trademark notices.²⁵

Taking this enterprise from a mere idea to widespread application proved to be a fairly large commercial undertaking. Drawing from his testimony as well as from

²³ "... [T]he operative meaning [of an implied contract as determined by a tribunal] is found in the transaction and its context rather than in the law or in the usages of people other than the parties." Corbin on Contracts §24.2.

²⁴ Cf. Corbin on Contracts §24.2: "... [T]his party [Sottery], viewed with reference to all the circumstances, knew or had reason to know the understanding of the other party.")

²⁵ Opposer should not find this possibility so hard to believe, as Melanson acknowledges that until the time of this litigation, he had not noticed the changes in such notices made by Sottery in April 1998 and March 2000.

the overall conduct of the parties (*cf.* Dolan v. Dolan, 107 Conn. 342, 140 A. 745 (1928)), we find that indeed Sottery would never have put so much of IMS's resources into this joint endeavor had he been faced with a contractual understanding that the trademark would belong solely to Melanson upon dissolution of the enterprise.

Similarly, Melanson's actions clearly show that he did not have a contractual understanding that this mark would belong to Sottery upon dissolution of the enterprise.

This fact situation calls for a decision that is not only consistent with the law of contracts, but also requires an outcome that is consistent with the laws designed to prevent confusion among consumers.

As noted by Professor McCarthy, most problems of joint ownership of marks appear to arise in the wake of the dissolution of an entity. Unlike tangible assets, a trademark and the attendant goodwill cannot easily be apportioned without customer confusion, deception and the impairment of the mark itself.²⁶ According to Professor McCarthy, when such a joint enterprise is dissolved and no contractual provision has been made for disposition of the

²⁶ J.T. McCarthy, McCarthy on Trademarks and Unfair Competition, §16:42 (4th ed. 2001).

mark, the goal should be to prevent multiple, fragmented trademark use.

We find persuasive the reasoning of the court in Durango Herald, Inc. *supra*, which opinion cites with favor to Professor McCarthy's treatise:

The public has a significant interest in preserving the vitality of joint ventures as a means of innovation and creativity. The potential that one party to a joint venture could legally appropriate all the good will of a joint venture while inhibiting the ability of other parties to do the same would discourage innovation. Participation and trust necessary to the optimum cooperation between the parties would be lessened.

The appropriate equitable approach in this case is to return the parties to equal advantage upon dissolution of the joint venture. Because the parties have been unable to arrive at a mutual distribution of the trademark, which would inure further benefit to each, the only benefit each may take from "DIRECTORY PLUS" is the knowledge of how to develop successful telephone directories. It is indeed unfortunate that elusive independent resolution of this dispute has forced the court to, in effect, extinguish a valuable asset produced by years of hard work, energy and investment of the parties. The result is necessary, however, to prevent further irreparable injury to the parties and continued consumer confusion.

Durango Herald, Inc. *supra*.

Consistent with these principles, we conclude that allowing either party to this joint venture to register this mark in the wake of dissolution would result in

consumer confusion as to source, which would be in violation of the anti-confusion policy of both state and federal law. In such an impasse, the unfortunate result of the parties' failure to anticipate the problem in advance, or to settle their disagreements later, means that neither party has proved exclusive ownership of the trademark. Unlike a federal court, we obviously cannot determine rights to use the mark, nor are we able to issue an injunction. However, as far as our jurisdiction extends (i.e., to the federal registration of this mark), we find that absent any future contractual understandings, neither party is the owner of the mark, and therefore that, insofar as this proceeding is concerned, applicant is not entitled to register this mark.²⁷

Accordingly, while we disagree with opposer's claim that Hart is the rightful owner of the marks FORMULATION WORKSTATION or FORMULATION WORKSTATION and design, as applied to this computer software, we find that the marks rightfully belonged to the now-terminated joint venture,

²⁷ We are called upon in this proceeding to decide only whether applicant has the right to register the composite mark that is the subject of this application. Our findings, however, could have an effect upon either party's attempt to register variations on the logo or the words "Formulation WorkStation" alone.

and hence, that applicant alone is not the rightful owner of this property.

Decision: The opposition is sustained and registration to applicant is hereby denied.